



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NELSON COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

May 15, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
NELSON COUNTY
MIKE NEWTON, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
MAY 15, 2000

Audit Opinion:

The Auditor of Public Accounts has issued a clean opinion on the financial statement presented in our audit report. There were no comments or recommendations in the audit report.

Financial Statement:

For tax year 1999 the Sheriff had tax receipts of \$9,081,807.

Our audit revealed the following amounts due districts for 1999 taxes as if the completion of fieldwork:

County	\$ 210
School	\$ 406
Library District	\$ 46
Extension District	\$ 37
Soil Conservation District	\$ 10

Information in Financial Notes:

The Nelson County Sheriff earned \$14,581 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Escrow Account - For the 1999 taxes, the Sheriff had \$2,516 in unrefundable duplicate payments and unexplained receipts. The Sheriff should deposit in an interest-bearing account and send a written report to the Treasury Department.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Dean Watts, Nelson County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the Nelson County Sheriff's Settlement - 1999 Taxes as of As of May 15, 2000. This tax settlement is the responsibility of the Nelson County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Nelson County Sheriff's taxes charged, credited, and paid as of as of May 15, 2000, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued a report dated August 28, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 28, 2000

NELSON COUNTY
MIKE NEWTON, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

May 15, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,452,781	\$ 553,638	\$ 2,857,436	\$ 1,571,850
Tangible Personal Property	165,103	39,882	143,451	516,135
Intangible Personal Property				219,964
Fire Protection	709			
Franchise Corporation	75,862	20,626	138,941	
Distilled Spirits Taxes	508,604	122,862	890,879	
Limestone, Sand, and Gravel Reserves	481	158	1,490	520
Undeveloped Oil and Gas Properties	4	1	11	4
Omitted Taxes	3	1	8	3
Bank Franchise Corporation	78,103			
Increased Through Erroneous Assessments	4,296	1,410	2,001	7,550
Penalties	7,853	2,975	17,974	9,377
Adjusted to Sheriff's Receipt	(1,469)	(216)		(812)
Gross Chargeable to Sheriff	<u>\$ 2,292,330</u>	<u>\$ 741,337</u>	<u>\$ 4,052,191</u>	<u>\$ 2,324,591</u>
<u>Credits</u>				
Discounts	\$ 38,778	\$ 12,311	\$ 66,454	\$ 39,847
Exonerations	20,449	7,574	29,676	22,286
Delinquents:				
Real Estate	17,162	6,510	35,553	18,539
Tangible Personal Property	2,242	542	4,733	5,908
Intangible Personal Property				78
Total Credits	<u>\$ 78,631</u>	<u>\$ 26,937</u>	<u>\$ 136,416</u>	<u>\$ 86,658</u>
Net Tax Yield	\$ 2,213,699	\$ 714,400	\$ 3,915,775	\$ 2,237,933
Less: Commissions *	<u>94,370</u>	<u>27,987</u>	<u>86,147</u>	<u>95,400</u>
Net Taxes Due	\$ 2,119,329	\$ 686,413	\$ 3,829,628	\$ 2,142,533
Taxes Paid	2,117,777	685,893	3,826,736	2,140,940
Refunds (Current and Prior Year)	<u>1,342</u>	<u>427</u>	<u>2,486</u>	<u>1,593</u>
Due Districts as of Completion of Fieldwork	<u>\$ 210</u>	<u>\$ 93</u>	<u>\$ 406</u>	<u>\$ 0</u>

* and ** See Page 4

NELSON COUNTY
MIKE NEWTON, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
May 15, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	5,082,962
2.2% on	\$	3,915,775
1% on	\$	73,070

** Special Taxing Districts:

Library District	\$	46
Extension District		37
Soil Conservation District		<u>10</u>
Due Districts	\$	<u><u>93</u></u>

The accompanying notes are an integral part of the financial statement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT

May 15, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 15, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
May 15, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 28, 1999 through May 15, 2000.

Note 4. Interest Income

The Nelson County Sheriff earned \$14,581 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$2,516 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Dean Watts, Nelson County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nelson County Sheriff's Settlement - 1999 Taxes as of As of May 15, 2000, and have issued our report thereon dated August 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nelson County Sheriff's Settlement - 1999 Taxes as of As of May 15, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nelson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Dean Watts, Nelson County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 28, 2000

